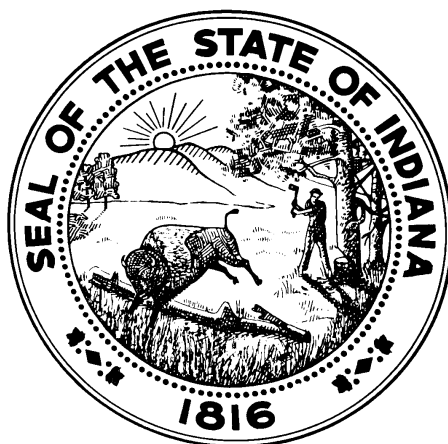


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
ADMINISTRATIVE RESOURCES ASSOCIATION
BARTHOLOMEW COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
01/13/2009

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|------------------|----------------------|
| Director | Eric Frey II | 01-01-06 to 12-31-08 |
| President of the Board | Judy Chastain | 01-01-06 to 12-31-06 |
| | James E. Bullard | 01-01-07 to 12-31-07 |
| | Fred Armstrong | 01-01-08 to 12-31-08 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF ADMINISTRATIVE RESOURCES
ASSOCIATION, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of Administrative Resources Association (Association), for the period of January 1, 2006 to December 31, 2007. The Association's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Association for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 9, 2008

ADMINISTRATIVE RESOURCES ASSOCIATION
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

| | Cash and Investments 01-01-06 | Receipts | Disbursements | Cash and Investments 12-31-06 |
|-------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 436,943 | \$ 467,252 | \$ 523,866 | \$ 380,329 |
| Rural Enterprise Loan Program | 618,835 | 1,400 | - | 620,235 |
| Nonreverting Vehicle Fund | 17,173 | 15,000 | - | 32,173 |
| Proprietary Fund: | | | | |
| MAP/REL P II Recapture | 8,645 | 68,540 | 52,904 | 24,281 |
| Totals | <u>\$ 1,081,596</u> | <u>\$ 552,192</u> | <u>\$ 576,770</u> | <u>\$ 1,057,018</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|-------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 380,329 | \$ 576,267 | \$ 503,169 | \$ 453,427 |
| Rural Enterprise Loan Program | 620,235 | 700 | - | 620,935 |
| Nonreverting Vehicle Fund | 32,173 | 15,000 | - | 47,173 |
| Proprietary Fund: | | | | |
| MAP/REL P II Recapture | 24,281 | 67,904 | 62,732 | 29,453 |
| Totals | <u>\$ 1,057,018</u> | <u>\$ 659,871</u> | <u>\$ 565,901</u> | <u>\$ 1,150,988</u> |

The accompanying notes are an integral part of the financial information.

ADMINISTRATIVE RESOURCES ASSOCIATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Association was established under the laws of the State of Indiana. The Association provides the following services: general administrative services.

Note 2. Fund Accounting

The Association uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is prepared and approved by the Governing Board.

Note 4. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Association to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

ADMINISTRATIVE RESOURCES ASSOCIATION EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

The accounting software used is a double entry system. In several instances, the entries to record payroll withholdings were not correct. In some instances, the payroll withholding entries, either the actual payroll entries or the entries to pay out the withholdings, were not made to the payroll withholding payable accounts. As a result, the payroll withholding payable accounts had incorrect balances as of each year end. We did determine that there were instances where the regular budgetary line items were used for payroll withholdings, due to errors in posting. Adjustments will need to be made to the accounting records.

Also, the chart of accounts does not clearly distinguish between funds, which revenue and expense accounts are assigned to each fund. As a result, there appeared to be some differences between what should have been posted to the individual funds and what was actually posted. The office manager did review some of the accounts and found some posting errors which will need to be corrected.

The accounting system does not provide for budgetary accounts, so spreadsheets are used to track their General fund budget and actual expenditures. Supporting worksheets or monthly printouts from the accounting system need to be retained for auditing purposes.

During the review of the payroll withholdings differences, the office manager determined that one staff member, who was assigned a car in 2007, did not have an adjustment made to include the value of the use of the car in her gross pay for tax purposes. The correction was made on the September 1, 2008 payroll.

Association staff have been reviewing the ledger to determine what entries need to be made to correct the payroll withholding payable accounts. Also, they have been working on procedures to ensure that the accounting records reflect the correct postings to the individual funds.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

BOARD MINUTES

Board minutes were not all readily available. Also, it was difficult to determine whether there were any missing minutes. The retention of the agendas and any information or notices relating to cancelled or postponed meetings should be retained as a part of the Board minutes. Board minutes should be kept as a permanent record.

Indiana Code 5-14-1.5-4 states in part: "(b) As the meeting progresses, the following memoranda shall be kept:

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

RECEIPT ISSUANCE

In some instances receipts were not issued. A manual form is used for receipts, which does not contain a space for recording the type of money received, whether cash, check or other form. Also, there are not any numerical references to these receipt numbers when the revenue is posted to the accounting system. As a result, it is difficult to trace the duplicate receipts to the accounting system.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS

We noted instances where receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

TRAVEL POLICY

A detailed travel policy was not presented for examination.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$963.03 were paid to the Internal Revenue Service in 2006.

On August 13, 2007, the Internal Revenue Service gave a special one time abatement of \$709.95 federal tax deposit penalty plus interest as a result of using the electronic federal tax payment system (EFTPS) to make all federal tax deposits on time for four consecutive quarters.

ADMINISTRATIVE RESOURCES ASSOCIATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CRIME INSURANCE POLICIES

The crime insurance policy has not been filed in the office of the County Recorder.

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADMINISTRATIVE RESOURCES ASSOCIATION
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2008, with Eric Frey II, Executive Director; Victoria Dake, Office manager; and Amy Allison, Bookkeeper. The officials concurred with our findings.